CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

R. J. REYNOLDS TOBACCO COMPANY

Winston-Salem, N. C.
May 24, 1949.

To the Holders of New Class B Common Stock of
R. J. Reynolds Tobacco Company:

By order of the Board of Directors a Special Meeting of the holders of Common Stock of the Company has been called to be held on Wednesday, June 29, 1949. While, by reason of the present provisions of the Certificate of Incorporation of the Company, holders of New Class B Common Stock of the Company have no vote on the matters to be considered at such meeting, it is the desire of the management to have the holders of New Class B Common Stock fully informed as to the matters which will be brought before the meeting.

There are attached hereto the material parts of the Proxy Statement forwarded to holders of the Common Stock of the Company which describe in detail the Plan upon which Common Stockholders are to be requested to vote.

The Plan is briefly summarized as follows:

a. The amendment of the Certificate of Incorporation of the Company to provide that:

(i) the 200,000 shares of Common Stock of the Company owned by the Company be reclassified into 200,000 shares of New Class B Common Stock;

(ii) the authorized Common Stock of the Company be decreased from 1,000,000 shares to 800,000 shares;

(iii) the authorized New Class B Common Stock of the Company be increased from 13,000,000 shares to 15,000,000 shares;

(iv) the holders of New Class B Common Stock have the same voting rights and privileges as the holders of Common Stock, one vote per share;

(v) the number of shares to be represented at a meeting of the holders of Common Stock and New Class B Common Stock to constitute a quorum shall be 25 per cent, and the Company's plan (amended as proposed) for participation by officers and employees in certain profits of the Company shall not be rescinded, altered, amended or modified without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Common Stock and of New Class B Common Stock entitled to vote, voting separately by classes, and

(vi) the holders of Common Stock be accorded the option to exchange such stock on or before March 31, 1959 for New Class B Common Stock on the basis of one share of Common Stock for one and one-fourth shares of New Class B Common Stock; and, upon expiration of the Exchange Option, each share of Common Stock then remaining unexchanged be reclassified immediately into one share of New Class B Common Stock;

b. The discontinuance of the Retirement and Insurance Investment Fund of the Company and related reserves, and

c. The amendment of Article XII of the By-Laws of the Company, which sets forth the Company's plan for participation by officers and employees in certain profits of the Company.

As you will note, the Plan, if put into effect, will give the same voting rights to the holders of New Class B Common Stock enjoyed by the holders of Common Stock, that is to say, holders of New Class B Common Stock will have one vote per share as will the holders of Common Stock.

MRB
Corp. File

The Plan, if put into effect, will gradually eliminate the participation payments made under the present Article XII of the By-Laws to officers and employees of the Company who hold Common Stock of the Company. Such participation payments will be on a reduced scale commencing with the year 1950 and will be entirely eliminated after the year 1958.

The proposed amendment to the Articles of Incorporation of the Company provides that the holders of Common Stock shall have the option at any time on or before March 31, 1959, to exchange their shares of Common Stock for New Class B Common Stock at the rate of one share of Common Stock for one and one-fourth shares of New Class B Common Stock. The purpose of this Exchange Option is to work toward the goal of simplifying the capital structure of the Company into one class of common stock and at the same time to protect the presently higher investment value of the Common Stock by reason of its present participation rights and to give reasonable compensation for the gradual elimination of such participation rights under the proposed amendment to Article XII of the By-Laws. In view of the provision in the Plan for the reclassification of the 200,000 shares of Common Stock of the Company now owned by the Company and held in its Retirement and Insurance Investment Fund into 200,000 shares of New Class B Common Stock and the use thereof in connection with such Exchange Option, there will be no increase in the stock capitalization of the Company by virtue of this part of the Plan.

The Plan outlined above is the result of a long and careful study that has been made by the management in an effort to simplify the capital structure of the Company, eventually to eliminate the participation in certain profits under the present Article XII of the By-Laws by officers and employees holding such Common Stock, and in line with the trend of recent years, particularly by corporations having securities listed on the New York Stock Exchange, to extend voting rights to all classes of common stock of the Company.

The management is of the opinion that the Plan outlined is for the best interests of the Company and all of its stockholders and that the Plan, if adopted, will make possible in an equitable manner, with due recognition being given to invested values to the holders of the Common Stock, the achievement of the ultimate goal of having only one class of common stock in which all the holders will have the same rights.

All of the steps of the Plan outlined in the attached statement are component and essential parts of the Plan and none will be put into effect unless the holders of at least two-thirds of the Common Stock entitled to vote approve the entire Plan at the Special Meeting of Stockholders.

By order of the Board of Directors.

R. J. Reynolds Tobacco Company

By Jas. A. Gray
Chairman

John C. Whitaker
President

R. J. REYNOLDS TOBACCO COMPANY

Excerpts from Proxy Statement sent to holders of Common Stock with respect to Special Meeting of such Stockholders to be held June 29, 1949.

THE PLAN

The Board of Directors of the Company at an adjourned meeting held May 17, 1949 approved the Plan hereinafter outlined, declared that it is advisable that the same be adopted, and called a Special Meeting of the holders of the Common Stock of the Company to take action on the Plan.

All of the steps outlined in subparagraphs a. to c., inclusive, under this heading are component and essential parts of the Plan and none will be put into effect unless the holders of at least two-thirds of the outstanding shares of Common Stock entitled to vote at the meeting approve the Plan. Accordingly, holders of the Common Stock are asked to vote "In favor of" or "Against" the Plan as a whole, such vote carrying with it the approval or disapproval, as the case may be, of each of the following component parts of the Plan:

a. The amendment of the Certificate of Incorporation of the Company to provide that:

(i) the 200,000 shares of Common Stock of the Company owned by the Company be reclassified into 200,000 shares of New Class B Common Stock;

(ii) the authorized Common Stock of the Company be decreased from 1,000,000 shares to 800,000 shares;

(iii) the authorized New Class B Common Stock of the Company be increased from 13,000,000 shares to 15,000,000 shares;

(iv) the holders of New Class B Common Stock have the same voting rights and privileges as the holders of Common Stock, one vote per share;

(v) the number of shares to be represented at a meeting of the holders of Common Stock and New Class B Common Stock to constitute a quorum shall be 25 per cent, and the Company's plan (amended as proposed) for participation by officers and employees in certain profits of the Company shall not be rescinded, altered, amended or modified without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Common Stock and of New Class B Common Stock entitled to vote, voting separately by classes, and

(vi) the holders of Common Stock be accorded the option to exchange such stock on or before March 31, 1959 for New Class B Common Stock on the basis of one share of Common Stock for one and one-fourth shares of New Class B Common Stock; and, upon expiration of the Exchange Option, each share of Common Stock then remaining unexchanged be reclassified immediately into one share of New Class B Common Stock;

b. The discontinuance of the Retirement and Insurance Investment Fund of the Company and related reserves, and

c. The amendment of Article XII of the By-Laws of the Company, which sets forth the Company's plan for participation by officers and employees in certain profits of the Company.

The effective date of the Plan shall be the date on which the amendment to the Certificate of Incorporation of the Company, referred to above, shall have become effective.

DISCUSSION OF COMPONENT PARTS OF THE PLAN

A. The Amendment of the Certificate of Incorporation of the Company

The purposes of the proposed amendment of the Certificate of Incorporation of the Company are:

(1) to give to the holders of New Class B Common Stock of the Company equal voting rights with the holders of the Common Stock, one vote per share, this being in line with the trend of recent years, particularly by corporations having securities listed on the New York Stock Exchange, of extending voting rights to all classes of common stock;

(2) to reclassify the 200,000 shares of Common Stock held by the Company into 200,000 shares of New Class B Common Stock, thus providing additional shares of New Class B Common Stock which will be available for use in the Exchange Option to holders of Common Stock hereinafter referred to;

(3) to provide that holders of shares of Common Stock shall have the option to exchange such shares or any part thereof, on or prior to March 31, 1959, for shares of New Class B Common Stock, on the basis of one share of Common Stock for one and one-fourth shares of New Class B Common Stock; and upon the expiration of the Exchange Option, each share of Common Stock then remaining unexchanged shall be immediately reclassified into one share of New Class B Common Stock;

(4) to provide an additional authorized amount of New Class B Common Stock which will be available for issuance by the Company to provide for future requirements, it not being presently contemplated that any additional shares of New Class B Common Stock will be issued at this time except in connection with the Exchange Option herein referred to;

(5) to fix the requirements for a quorum at meetings of holders of Common Stock and New Class B Common Stock, and

(6) to provide that upon the adoption of the proposed amendment of Article XII of the By-Laws of the Company, no further amendment of such Article may be made without the affirmative vote of at least two-thirds of the outstanding shares of Common Stock and New Class B Common Stock, voting separately by classes.

A copy of the proposed amendment of Article Fourth of the Company's Certificate of Incorporation is attached hereto as Exhibit A.

Exchange Option

In order to work toward the goal of simplifying the capital structure of the Company, and at the same time to protect the presently higher investment value of the Common Stock by reason of its present participation rights under Article XII of the By-Laws and to give reasonable compensation for the gradual elimination of such participation rights under the proposed amendment thereto, the amendment to the Articles of Incorporation provides that the holders of Common Stock shall have the option at any time on or before March 31, 1959 to exchange their shares of Common Stock for New Class B Common Stock at the rate of one share of Common Stock for one and one-fourth shares of New Class B Common Stock. The purpose of having the Exchange Option continue until March 31, 1959 is to enable employee holders who desire to do so to hold their Common Stock so that they may participate, in gradually declining amounts, under the provisions of the proposed amended By-Law XII during the entire time that participation is provided for thereunder. Upon expiration of said Exchange Option, each share of Common Stock then remaining unexchanged will be reclassified immediately into one share of New Class B Common Stock.

For the year 1948 and for the first four months of the year 1949, on the basis of New York Stock Exchange prices, it is estimated that the daily mean average price of Common Stock (weighted for the number of shares sold daily) was approximately 127% of the daily mean average price of New Class B Common Stock (weighted for the number of shares sold daily). On May 10, 1949, the last sale price on the New York Stock Exchange for the New Class B Common Stock was $35⅛ per share; and the mean of the bid and ask

price for the Common Stock was $43⅞ per share. The number of shares of Common Stock traded on the New York Stock Exchange for the foregoing period was approximately 1% of the number of shares of New Class B Common Stock so traded during the same period. The Common Stock quoted on the New York Stock Exchange is stock not entitled to participate under By-Law XII for the then current year. Common Stock participating under By-Law XII for the then current year is traded over-the-counter in Winston-Salem, N. C. at prices higher than those quoted on the New York Stock Exchange, such over-the-counter prices reflecting the buyers' and sellers' estimates of the amount of participation accruing to such stock for the year in which traded. For a long number of years, individual stockholders have made exchanges of non-participating Common Stock for New Class B Common Stock held by other individual stockholders on a basis that quite customarily has been one share of Common Stock for one and one-fourth shares of New Class B Common Stock. The management of the Company believes that the proposed ratio of exchange is fair to both holders of Common Stock and holders of New Class B Common Stock.

There are 800,000 shares of Common Stock outstanding that will be subject to the Exchange Option and if all of these shares are exchanged thereunder such holders will receive a total of 1,000,000 shares of New Class B Common Stock. These 1,000,000 shares will be provided from (i) the 200,000 shares of New Class B Common Stock which the Company will have in its treasury immediately upon termination of the Retirement and Insurance Investment Fund and reclassification of the 200,000 shares of Common Stock now held in the Fund into an equal number of shares of New Class B Common Stock, and (ii) 800,000 shares of New Class B Common Stock authorized but unissued. The Common Stock exchanged will be retired and not reissued.

Inasmuch as the Exchange Option involves the exchange of one class of common stock for another class of common stock identical in all respects under the terms of the proposed Amended Certificate of Incorporation, except that the New Class B Common Stock is not considered under the proposed amendment of Article XII of the By-Laws, financial statements are not deemed material for the exercise of prudent judgment in determining how to vote upon the Plan, or in determining whether or not to make such exchange. Consequently, and in accordance with the rules of the Securities and Exchange Commission, financial statements are omitted.

B. Discontinuance of Retirement and Insurance Investment Fund

The Retirement and Insurance Investment Fund, which consists of 200,000 shares of Common Stock, was established pursuant to a resolution of the Board of Directors effective on December 31, 1933. Under the terms of the resolution, no officer or employee has any vested right in the Fund and it may be modified or rescinded at any time at the discretion of the Board of Directors. The purpose of the Fund was to finance through the participation payments withheld with respect to the shares held in the Fund and through the regular dividends on such shares, the costs of the then existing unfunded retirement plan, established in 1929, and the group insurance plan of the Company and to set up a reserve equivalent to the book cost of the shares. As of December 31, 1946, such retirement plan was discontinued except as to employees retired under such plan. Because of the discontinuance of this retirement plan, the management believes that the Retirement and Insurance Investment Fund is no longer needed and the costs of such retirement plan and group insurance plan should be charged directly as operating costs. These costs have in the past been considerably below the amount which has been charged as the result of crediting the Fund with an amount equivalent to participation under By-Law XII on the 200,000 shares of Common Stock held in the Fund. For the year 1948 the retirement benefits paid under this plan amounted to $297,812.54 and the group insurance costs amounted to $224,766.37.

The discontinuance of the Retirement and Insurance Investment Fund will permit the reclassification of the said 200,000 shares of Common Stock held therein, and carried on the books of the Company at the nominal amount of $1, into 200,000 shares of New Class B Common Stock, and the use of such reclassified shares for the purposes of the Exchange Option hereinabove referred to.

In discontinuing the Fund, it is also contemplated that the reserve for retirement and group insurance costs will be eliminated and if this is done there will, accordingly, be an increase in the surplus-undivided profits account of the Company equivalent to the amount ($548,628 as of December 31, 1948) in the reserve for retirement and group insurance costs less the sum of $1 at which the Retirement and Insurance Investment Fund (consisting of the aforesaid 200,000 shares of Common Stock) is presently carried.

Discontinuance of the Retirement and Insurance Investment Fund and related reserves will not affect the Company's present Employees' Retirement Plan (which was adopted in 1946), the costs of which plan are charged directly as operating expenses.

C. Amendment of Article XII of the By-Laws

A copy of the existing Article XII of the By-Laws is attached hereto as Exhibit B and a copy of the proposed amendment thereto is attached hereto as Exhibit C. The primary purpose of the amendment is to provide for the gradual elimination over a ten-year period of the right to participate in the benefits provided by the By-Law which in its original form was approved by the stockholders in 1912. Under the presently existing By-Law, in the discretion and at the option of the Board of Directors, part of the profits of the Company for any year in excess of 22.19% of the par value of the Common Stock, not exceeding, however, 10% of the amount of such excess, may be distributed to all qualified officers and employees proportionate to the number of shares of Common Stock held by them. In administering the By-Law there have been deducted from profits, in computing the amount of participation payable, dividends accrued on outstanding shares of the Company's Preferred Stock, and in the proposed amendment express provision is made for such deduction.

Under the terms of the proposed amendment, the percentage of profits in excess of the base amount ($2,219,277.60 plus dividends accrued for the year on Preferred Stock) for the participation calculation will be not exceeding 10% for 1949, the same as provided in the existing By-Law. However, under the amendment the maximum percentage will be reduced to 9% for the year 1950 and will be reduced an additional 1% each year thereafter until 1958 when only a maximum of 1% of the profits in excess of the base amount will be subject to participation. For 1959 and subsequent years there will be no provision for participation.

Pursuant to the terms of the resolution establishing the Retirement and Insurance Investment Fund, commencing for the year 1934, there has been withheld each year, in computing participation payable to officers and employees under By-Law XII, an amount equivalent to participation with respect to the 200,000 shares of Common Stock held in the Fund, and payments under such By-Law to participating officers and employees have been accordingly proportionately reduced. Upon the adoption of the Plan, with the consequent discontinuance of the Retirement and Insurance Investment Fund and the reclassification of such 200,000 shares of the Common Stock into New Class B Common Stock, no further participation payments will be withheld with respect to these 200,000 shares. The proposed amendment of By-Law XII provides, however, that the maximum amount payable thereunder with respect to each share of Common Stock owned by participating officers and employees will be calculated after adding 200,000 to the total number of shares of Common Stock entitled to participation for the year, thus continuing in effect a reduction in participation payable to officers and employees equivalent to that which resulted from withholding participation with respect to the 200,000 shares.

In order to preclude an increase in the amount of participation payable per share as the result of a possible decrease in the number of shares participating, the proposed amendment to By-Law XII provides that in the event the total number of shares entitled to participate in any year subsequent to 1949 shall be less than the number of shares participating for that year, there shall be a reduction in the amount of profits included in the participation calculation proportionate to the ratio of the number of shares participating for the year to the number of shares participating for 1949, in each case plus 200,000.

While under the existing By-Law a qualified employee may participate with respect to any share of Common Stock owned by him for the entire year, under the proposed amendment shares of Common Stock otherwise eligible for participation will be limited to such shares as were owned throughout the year 1949 by officers and employees and such other shares as are owned on May 24, 1949 by officers and employees.

Other provisions are contained in the proposed amendment to By-Law XII for the purpose of achieving clarification and definiteness of administration, and to provide against hardships to officers or employees which have occurred in the administration of the present By-Law. The provisions relating to the conditions under which an officer or employee may participate on stock acquired by him during the year from others have been amplified.

The proposed amendment to By-Law XII will become effective on the date the Certificate of Amendment of the Certificate of Incorporation of the Company heretofore referred to shall have become effective.

Under existing By-Law XII there was distributed to officers and to employees an aggregate amount of $2,370,104 for the year 1948, 16 officers and directors receiving $519,520 and 1,753 other employees receiving $1,850,584. If the proposed amendment had been in effect for the year 1948, and if it had been made applicable to 1948 as the first year, the same amounts would have been distributable thereunder to such officers, directors and employees.

As of April 25, 1949, officers and directors, 15 in number, owned approximately 94,500 shares of Common Stock and approximately 1,936 other employees of the Company owned approximately 455,300 shares of Common Stock upon which they may be permitted to participate for 1949 pursuant to the proposed amendment to Article XII of the By-Laws, provided they continue in the employ of the Company and continue to own Common Stock for the balance of the year. If the Certificate of Incorporation is amended as proposed so as to provide that no further amendment to such Article XII of the By-Laws may be made without the affirmative vote of at least two-thirds of the outstanding shares of Common Stock and new Class B Common Stock, voting separately by classes, and if the officers and employees, including directors, continue to hold over one-third of the outstanding Common Stock and vote as a group, it will follow that no further amendment to such By-Law can be adopted without the approval of such persons, whose shares are eligible to participate in the special disbursements made under such By-Law.

There are set forth below the name of and position with the Company of each person whose salary for 1948 is set forth under the heading "Remuneration of Directors and Officers" and who may be permitted to participate for 1949 pursuant to the proposed amendment to Article XII of the By-Laws, provided such persons continue in the employ of the Company and continue to own Common Stock for the balance of the year. There are also set forth the number of shares of Common Stock owned by such persons throughout 1948, and the amount of participation received by such persons for 1948 under the existing Article XII of the By-Laws.

Name	Position with Company	Number of Shares of Common Stock Owned Throughout 1948	Amount of Participation Received on Common Stock Owned for 1948
Jas. A. Gray	Chairman, Board of Directors	25,000	$116,500
John C. Whitaker	President	9,050	42,173
R. C. Haberkern	Vice President	6,450	30,057
P. Frank Hanes	Vice President	6,100	28,426
E. A. Darr	Vice President	200	932
H. N. Hardy	Vice President	1,700	7,922
H. H. Ramm	Solicitor and Assistant to Chairman of Board	120	559

The following tabulation shows the approximate amounts of participation estimated as available for distribution to officers and employees, including directors, under the proposed amendment for each of the years 1949 to 1958 inclusive. Such estimate is made on the assumption that the Company's net earnings for each of such years, prior to deduction for participation payments, will be the same as in 1948 and on the further assumption that the total number of shares upon which participation may be paid is in each year approximately the same as the maximum number that may be available for participation for 1949.

Year	Amount
1949	$2,380,000
1950	2,142,000
1951	1,904,000
1952	1,666,000
1953	1,428,000
1954	1,190,000
1955	952,000
1956	714,000
1957	476,000
1958	238,000

The tabulation is set forth merely to illustrate the trend in increase in savings to the Company that would be brought about as a result of the decreasing percentage of profits in which officers and employees, including directors, may be entitled to participate under the proposed amendment. The actual amount of net earnings and the amount of participation payments for any particular year will of course depend on the experience of the Company for the year.

During the many years following adoption of By-Law XII in 1912, it was found that the By-Law aided materially in the progress and development of the Company particularly as the result of requiring employees to make substantial investments in the Company before they could participate in the benefits of the By-Law. In recent years, however, due principally to the very high rates of income tax and also to restrictions upon borrowings for the purchase of listed stocks, it has been found that newer employees lacking outside resources have been unable to acquire Common Stock in sufficient quantities for the By-Law to serve as an incentive to them. It is therefore the opinion of the management that in the foreseeable future the By-Law will be of decreasing usefulness in providing an incentive to the employees.

As previously stated, 1,769 officers and employees, including directors, participated under the By-Law in the year 1948 and received an aggregate amount of $2,370,104. A very large number of these persons have invested substantially all their resources in the Common Stock of the Company and rely upon the income derived therefrom, including participation, to maintain their standards of living. It is believed by the management, therefore, that it would be extremely detrimental to the Company and to the morale of the employees if action should be taken to discontinue participation immediately. While the management is of the opinion that it is to the best interest of the Company eventually to discontinue the method of profit participation under the By-Law, it believes that it is necessary to approach this goal on a gradual basis. The management regards the proposed amendment to the By-Law an equitable and feasible basis for adjusting the situation in so far as the Company, its stockholders and its employees are concerned.

CONCLUSION

The Plan outlined above is the result of a long and careful study that has been made by the management in an effort to simplify the corporate structure of the Company and eventually to eliminate the participation under the present Article XII of the By-Laws in certain profits of the Company by officers and employees holding its Common Stock. The management is of the opinion that the Plan is for the best interests of the Company and all of its stockholders and that the Plan, if adopted, will make possible, in an equitable manner and with due recognition being given to the invested values of the holders of Common Stock, the achievement of the ultimate goal of having only one class of common stock in which all holders will have the same rights.

STOCK CAPITALIZATION OF THE COMPANY

The stock capitalization of the Company as of April 30, 1949, as of the effective date of the Plan, and as of the date upon which all exchanges contemplated by the Plan shall have been made, is as follows:

Capital Stock	As of April 30, 1949	As of Effective Date of the Plan	As of Completion of Exchanges Contemplated by the Plan
Common Stock ($10 par value):			
(Authorized and issued 1,000,000 shares)	$ 10,000,000(1)	.....	.....
(Authorized and issued 800,000 shares)	.....	$ 8,000,000	.....
(Authorized and issued none)	.....	.....	None
New Class B Common Stock ($10 par value):			
(Authorized 13,000,000 shares, issued 9,000,000 shares)	90,000,000	.....	.....
(Authorized 15,000,000 shares, issued 9,200,000 shares) (2)	.....	92,000,000	.....
(Authorized 15,000,000 shares, issued 10,000,000 shares)	.....	.....	$100,000,000
Preferred Stock ($100 par value):			
(Authorized 750,000 shares):			
3.60% Series (Authorized and issued 490,000 shares)	49,000,000	49,000,000	49,000,000
4.50% Series (Authorized and issued 260,000 shares)	26,000,000	26,000,000	26,000,000
	$175,000,000	$175,000,000	$175,000,000

(1) 200,000 shares of issued stock owned by Company are held in the Retirement and Insurance Investment Fund.

(2) 200,000 shares of issued stock owned by Company and held in its treasury and 800,000 shares of authorized but unissued stock will be reserved for issuance upon exchange of Common Stock under Exchange Option.

Holders of Common Stock and holders of New Class B Common Stock have the preemptive rights provided by statute.

NUMBER OF SHARES OF COMMON STOCK AND OF NEW CLASS B COMMON STOCK BENEFICIALLY OWNED BY PERSONS WHO WERE DIRECTORS OR OFFICERS OF THE COMPANY AT ANY TIME SINCE JANUARY 1, 1948, AND BY THEIR ASSOCIATES

Name	Number of Shares Beneficially Owned as of April 25, 1949 — Shares of Common Stock	Shares of New Class B Common Stock
Jas. A. Gray(1)	25,000	25,000
John C. Whitaker(2)	9,050	50
R. C. Haberkern	6,450	8
P. Frank Hanes	6,100	—
E. A. Darr	200	—
H. N. Hardy(3)	1,700	—
Bowman Gray(4)	20,000	37,500
Fred S. Hill	2,100	265
W. J. Conrad, Jr.(5)	5,500	—
W. T. Smither(6)	6,600	—
R. G. Vallandingham	1,525	500
H. H. Ramm	200	—
H. S. Kirk(7)	7,300	80
S. M. Scott	1,200	50
S. B. Hanes, Jr.(8)	1,640	—

(1) Associates of Jas. A. Gray were reported as holding directly or as beneficiaries under trusts an aggregate of 57,732 shares of New Class B Common Stock and 800 shares of Common Stock.

(2) John C. Whitaker is one of four co-trustees under the will of Kate B. Reynolds, reported as holding an aggregate of 149,500 shares of New Class B Common Stock for the benefit of various charitable and educational organizations.

(3) Associates of H. N. Hardy were reported as holding an aggregate of 114 shares of New Class B Common Stock.

(4) Associates of Bowman Gray were reported as holding directly or as beneficiaries under trusts an aggregate of 22,643 shares of New Class B Common Stock.

(5) Associates of W. J. Conrad, Jr. were reported as holding 50 shares of Common Stock and 742 shares of New Class B Common Stock.

(6) Associates of W. T. Smither were reported as holding an aggregate of 506 shares of New Class B Common Stock.

(7) Associates of H. S. Kirk were reported as holding an aggregate of 835 shares of New Class B Common Stock.

(8) A trust was reported as owning an aggregate of 1,000 shares of Common Stock in which trust S. B. Hanes, Jr., and members of his family have beneficial interests. An associate of S. B. Hanes, Jr., was reported as holding 240 shares of New Class B Common Stock.

S. Clay Williams died on February 25, 1949. As of April 25, 1949 his estate was reported as holding 12,428 shares of Common Stock and 6,096 shares of New Class B Common Stock.

J. W. Glenn retired on July 1, 1948. As of April 25, 1949 he was reported as holding 7,000 shares of Common Stock and 500 shares of New Class B Common Stock and an associate was reported as holding 619 shares of New Class B Common Stock.

L. F. Owen served as a director until April 6, 1948. As of April 25, 1949 he was reported as holding 8,000 shares of Common Stock and 1,000 shares of New Class B Common Stock, and associates of his, including a trust for the benefit of a member of his family, were reported as holding an aggregate of 6,801 shares of New Class B Common Stock.

REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate salary paid for services in 1948 by the Company to each person who was a director of the Company during the year and whose aggregate salary exceeded $25,000 and the aggregate of all salaries paid to all directors and officers as a group is set forth in the table below. There are also set forth the amounts estimated to have been paid by the Company during 1948 on account of prior and future service benefits under the Employees' Retirement Plan (which was adopted in 1946) and as the Company's share of premiums paid under the Group Insurance Plan, for the persons, and the members of the group, designated. Under such Employees' Retirement Plan contributions for prior and future service benefits are made by the Company on an aggregate basis for all officers and employees participating and no contributions are paid or set aside for the benefit of any individual officer or employee. The persons, and the members of the group, designated also received from the Company dividends and, except for the two persons who retired during the year, disbursements under the Company's By-Law XII.

Name of Individual or Identity of Group	Capacities in which Remuneration was Received	Salaries	Estimated Contributions on Account of Employees' Retirement Plan and Premiums under Group Insurance Plan
S. Clay Williams[1]	Chairman, Board of Directors	$100,000.00	$22,067.21
Jas. A. Gray	Chairman, Executive Committee	62,500.00[3]	9,672.21[4]
J. W. Glenn	President[2]	32,500.00	10,213.87[5]
John C. Whitaker	President[2]	50,000.00[3]	6,673.21[4]
R. C. Haberkern	Vice President	41,500.00[3]	9,442.21[4]
P. Frank Hanes	Vice President	32,500.00	5,474.21[4]
E. A. Darr	Vice President	43,500.00[3]	6,256.21[4]
H. N. Hardy	General Manager Leaf Department[2]	27,000.00[3]	3,489.21[4]
H. H. Ramm	Solicitor and Assistant to Chairman of Board	26,000.00	1,202.21[4]
Directors and Officers as a Group—18 in Number[6]	Officers, Department Heads, etc.	547,027.51	94,776.92

[1] S. Clay Williams died on February 25, 1949.

[2] J. W. Glenn retired on July 1, 1948. Prior to July 1, 1948 John C. Whitaker was Vice President and H. N. Hardy was General Leaf Supervisor.

[3] The following received salaries for 1948 that exceeded their respective salaries for 1947 by more than 10%, the amount of such excess being also set forth: Jas. A. Gray, $12,500.00; John C. Whitaker, $10,000.00; R. C. Haberkern, $6,500.00; E. A. Darr, $4,500.00; H. N. Hardy, $3,333.33.

[4] Based on the assumptions that the persons specified below will remain in the employment of the Company until age 65, that they will receive in future years while an officer or employee of the Company the same salaries as they received for 1948, that the Employees' Retirement Plan will continue without modification and that the Company will continue to make contributions under the Plan at a rate sufficient to provide the retirement allowances provided by the Plan, the estimated annual retirement allowances under the Plan of the persons specified are the amounts set forth after their respective names: Jas. A. Gray, $16,144; John C. Whitaker, $12,797; R. C. Haberkern, $11,387; P. Frank Hanes, $10,064; E. A. Darr, $10,622; H. N. Hardy, $7,847; H. H. Ramm, $6,500.

[5] J. W. Glenn received from the trust under the Employees' Retirement Plan retirement allowances of $6,727.86. His retirement allowance is at the annual rate of $13,455.72.

[6] Two persons included in the group retired during the year. They received from the trust under the Employees' Retirement Plan retirement allowances totalling $14,617.86.

The ordinary dividends paid on the Company's Common Stock and New Class B Common Stock, respectively, for the year 1948 amounted to $2.00 per share, and the special disbursement paid for the year under the Company's By-Law XII on Common Stock held throughout the year by officers and employees of the Company amounted to $4.66 per share. Common Stock held throughout 1948 by the participating directors and officers of the Company, considered as a group, amounted to 111,485 shares.

EXHIBIT A

Proposed Amendment to Article Fourth of the Certificate of Incorporation

FOURTH: The authorized capital stock of the Corporation is Two Hundred Thirty-three Million Dollars ($233,000,000) classified as follows:

Eight Million Dollars ($8,000,000) of Common Stock (to be known as "Common Stock" without further designation) divided into Eight Hundred Thousand (800,000) shares of the par value of Ten Dollars ($10) each.

One Hundred Fifty Million Dollars ($150,000,000) of New Class B Common Stock divided into Fifteen Million (15,000,000) shares of the par value of Ten Dollars ($10) each.

Seventy-five Million Dollars ($75,000,000) of Preferred Stock divided into Seven Hundred Fifty Thousand (750,000) shares of the par value of One Hundred Dollars ($100) each.

I.

A. Common Stock and New Class B Common Stock.

1. Each share of Common Stock and each share of New Class B Common Stock shall be equal to every other share of Common Stock and New Class B Common Stock in every respect except that the New Class B Common Stock shall not be considered under the Corporation's plan providing for participation by officers and employees in certain profits of the Corporation.

2. At all meetings of stockholders of the Corporation, the holders of the Common Stock and of the New Class B Common Stock shall be entitled to one vote for each share of Common Stock and of New Class B Common Stock held by them respectively. Holders of twenty-five per cent (25%) in the aggregate of the outstanding Common Stock and New Class B Common Stock entitled to vote present in person or by proxy shall be required to constitute a quorum, except that when voting as a separate class, holders of twenty-five per cent (25%) of the outstanding stock of each class entitled to vote present in person or by proxy shall be required to constitute a quorum of such class. Prior to March 31, 1959, the Corporation's plan providing for participation by officers and employees in certain profits of the Corporation shall not be rescinded, altered, amended or modified without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Common Stock entitled to vote and of the holders of at least two-thirds of the outstanding shares of New Class B Common Stock entitled to vote, voting separately by classes.

B. Exchange Option to Holders of Common Stock.

1. Holders of shares of Common Stock shall have the option to exchange such shares or any part thereof, on or prior to 3:00 P. M. o'clock New York time on March 31, 1959, for full paid and non-assessable shares of New Class B Common Stock, on the basis of one share of Common Stock for one and one-fourth shares of New Class B Common Stock, upon surrender to the Corporation or its designated agent of the certificate or certificates for the shares to be exchanged.

2. Upon the expiration of the Exchange Option on March 31, 1959, each share of Common Stock then remaining unexchanged under the Exchange Option shall be immediately reclassified into one share of New Class B Common Stock.

3. In the event the Corporation shall at any time prior to the expiration of the Exchange Option split up, consolidate or otherwise reclassify the shares of Common Stock subject to said exchange or the New Class B Common Stock, the Board of Directors shall appoint a firm of independent public accountants (which may be the firm that regularly examines the financial statements of the Corporation) which shall give their opinion as to the adjustment, if any, of the exchange rate specified in paragraph 1 of this Section B and of the reclassification rate specified in paragraph 2 of this Section B required to preserve to the holders of Common Stock

subject to exchange or said reclassification a position substantially equivalent to the position existing immediately prior to such event; and the exchange rate and said reclassification rate shall be forthwith adjusted in accordance with such opinion, which shall be conclusive, and such adjusted exchange rate and reclassification rate shall be furnished to holders of Common Stock upon request; provided, however, that no such adjustment shall be so made unless it involves an increase or decrease of at least one sixty-fourth of a share in the number of shares of New Class B Common Stock deliverable upon exchange or reclassification for one share of Common Stock and provided, further, that any such adjustment so made shall be made to the nearest next highest one sixty-fourth of a share of New Class B Common Stock deliverable upon exchange or reclassification for one share of Common Stock. In giving such opinion such accountants shall be entitled to rely upon findings of the Board of Directors as to any factual matters and upon the opinion of counsel (who may be counsel for the Corporation) as to any matters of law.

4. No fractions of shares of New Class B Common Stock shall be issued upon exchange or reclassification of shares of Common Stock, but in lieu thereof non-dividend bearing and non-voting scrip (exchangeable for full shares of New Class B Common Stock) shall be issued in such denominations, in such form, bearer or registered, with the right to exchange expiring after such reasonable time (in no event less than six months after the expiration of the Exchange Option) and containing such provision for the sale of full shares of New Class B Common Stock for which such scrip is exchangeable for the account of the holders of such scrip, and such other terms and provisions, all as the Board of Directors may determine from time to time prior to the issue thereof.

5. The Corporation shall at all times reserve and keep available out of its authorized but unissued New Class B Common Stock and the issued New Class B Common Stock held by the Corporation in its treasury the full number of shares of New Class B Common Stock deliverable upon the exchange pursuant to the Exchange Option of all shares of Common Stock from time to time outstanding.

6. All shares of Common Stock represented by certificates therefor surrendered for exchange pursuant to the Exchange Option shall be retired and shall not be reissued.

The remaining part of Article Fourth of the Certificate of Incorporation of the Company, relating principally to the Preferred Stock, is not to be amended.

EXHIBIT B

Present By-Law XII

ARTICLE XII

Participation by Officers and Employees in Certain Profits.

All the Company's officers and employees who have owned its Common Stock and been in its employ for not less than twelve months, then next preceding may be allowed, in the discretion and at the option of the Board of Directors, beginning with the year 1912, to participate in proportion to the Common Stock thus owned, in the Company's annual profits which are in excess of the percentage of profits earned during the year 1910, to wit: 22.19%, not exceeding, however, 10% of those profits in excess of 22.19% of its entire outstanding issue of Common Stock, taking into account pro rata any increase or decrease thereof made during the year. The Common Stock owned by an officer or employee, for the purpose of this By-Law, beginning with the year 1916, shall include any stock purchased during the year from an officer or employee or from the personal representative of a deceased officer or employee, provided such stock would have entitled the former owner to participate in proportion thereto had it been held for the entire 12 months' period.

EXHIBIT C

By-Law XII as Proposed to be Amended

ARTICLE XII

Participation by Officers and Employees in Certain Profits.

All officers and employees of the Company, or any of its wholly-owned subsidiaries, who have owned Common Stock of the Company eligible for participation (sometimes referred to herein as "eligible Common Stock") and been in the employ of the Company, or any such subsidiary, for a full calendar year may be allowed, in the discretion and at the option of the Board of Directors, to participate for such year, to the extent hereinafter provided, in a percentage not exceeding the below specified percentage for such year of that part of the Company's profits for such year as exceeds $2,219,277.60 plus the amount of dividends accrued for such year with respect to the outstanding shares of Preferred Stock of the Company, the maximum percentages for the respective years being as follows: 10% for 1949; 9% for 1950; 8% for 1951; 7% for 1952; 6% for 1953; 5% for 1954; 4% for 1955; 3% for 1956; 2% for 1957; 1% for 1958; and none for any year thereafter; provided, however, that in the event the total number of shares of eligible Common Stock owned throughout any year subsequent to the year 1949 by officers and employees entitled to participate for such year shall be less than the number of such shares owned throughout the year 1949 by officers and employees entitled to participate for that year, then the amount of profits resulting from the application of the percentage for such subsequent year shall be reduced to an amount which shall be such part of such percentage of profits otherwise determined for such year as (i) the total number of shares of eligible Common Stock owned throughout such subsequent year by officers and employees entitled to participate for such year plus 200,000 shares is of (ii) the total number of shares of eligible Common Stock owned throughout the year 1949 by officers and employees entitled to participate for that year plus 200,000 shares. The participation of each officer or employee entitled to participate for any year shall not exceed an amount determined by multiplying the number of shares of eligible Common Stock owned by him or her throughout the entire year for which the participation is computed by an amount determined by dividing (i) the amount of profits resulting from the application of the percentage for such year and as adjusted pursuant to the foregoing proviso by (ii) such number of shares as equals the sum of the total number of shares of eligible Common Stock owned throughout the entire year by all officers and employees entitled to participate for such year and 200,000 shares. In the event of any split up, consolidation or other reclassification of shares of Common Stock (other than shares held by the Company), the number of 200,000 shares wherever referred to above shall be adjusted to such number of shares as would result from such split up, consolidation or other reclassification of an equal number of shares of outstanding Common Stock. Any part of the profits available for participation for any year not paid to officers or employees entitled to participate therein as provided by this By-Law shall remain a part of the general assets of the Company.

For the purpose of this By-Law, Common Stock eligible for participation shall be limited to (i) such shares of Common Stock of the Company as were owned throughout the year 1949 by officers and employees of the Company, or its wholly-owned subsidiary, and (ii) such other shares of Common Stock as were owned by such officers and employees on May 24, 1949. An officer or employee shall be deemed, for the purpose of this By-Law, to have owned for a full calendar year any shares of Common Stock owned by him or her throughout such year and also any shares of Common Stock owned by him or her at the end of such year if purchased by him or her during such year

(i) from an officer or employee of the Company, or any wholly-owned subsidiary of it; or

(ii) from a person who had been such an officer or employee and who had been discharged or had resigned by request within ninety days next preceding the date of such purchase or who had retired, on a pension or retirement allowance provided by, or through a plan of, the Company or any of its wholly-owned subsidiaries, within ninety days next preceding the date of such purchase; or

(iii) from the personal representative of such a deceased officer or employee who had died within the twelve calendar months next preceding the date of such purchase;

provided that the seller of such shares of stock, or in case the seller be the personal representative of a deceased officer or employee then such officer or employee, would have been entitled to participate with respect to such shares of stock had the seller, or such deceased officer or employee, continued to own said stock for the entire year and to remain in the employ of the Company, or any wholly-owned subsidiary of it, for such entire year.

As used in this By-Law, the word "profits" shall mean the net earnings of the Company computed in accordance with sound accounting practice without deduction, however, for any amounts payable pursuant to the provisions of this By-Law.

The foregoing amendment to Article XII of the By-Laws shall become effective on the date the Certificate of Amendment of the Certificate of Incorporation of the Company to be voted upon at the Special Meeting of the holders of the Common Stock of the Company to be held June 29, 1949 shall have become effective.